



# Smart Multibagger

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since 1989*

04 June 2021

***Deepak Fertilisers & Petrochemicals Corp. Ltd.***

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# Smart Multibagger

## Price related information

Company	Deepak Fertilisers & Petro. Corp. Ltd.
Current Price (Rs)	295
Target Price (Rs)	1025
Stop Loss (Rs)	230
Perceived Risk	Medium
Holding Period (months)	48
Recommended Portfolio weightage	4%
Market Capitalisation (Rs crores)	3050

## Stock related information

NSE Symbol	DEEPAKFERT
BSE Ticker	500645
Face Value (Rs)	10
Book Value (Rs)	195
Sector	Fertiliser
Promoter Stake	55.80%
BSE Group	A
Liquidity	Good
BSE Index constituent	S&P BSE 500

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## Deepak Fertilisers & Petrochemicals Corp. Ltd.

- ✓ Deepak Fertilisers and Petrochemicals Corporation Ltd. (DFPCL) is a leading producer of fertilizers and industrial chemicals.
- ✓ Set up in 1979 as an Ammonia manufacturer, DFPCL today is a multi-product company with an annual turnover of close to Rs 6000 crores.
- ✓ Its product portfolio spans industrial chemicals, bulk and specialty fertilisers, farming diagnostics and solutions, technical ammonium nitrate and value added real estate, which includes India's 1st and largest revolutionary concept retail destination for Home Interiors & Design.
- ✓ Installed capacities-
  - Industrial Chemicals (IC) 13,52,000 mtpa,
  - Crop Nutrition Business (CNB) 9,57,000 mtpa, and

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### *Financial Highlights (Consolidated)*

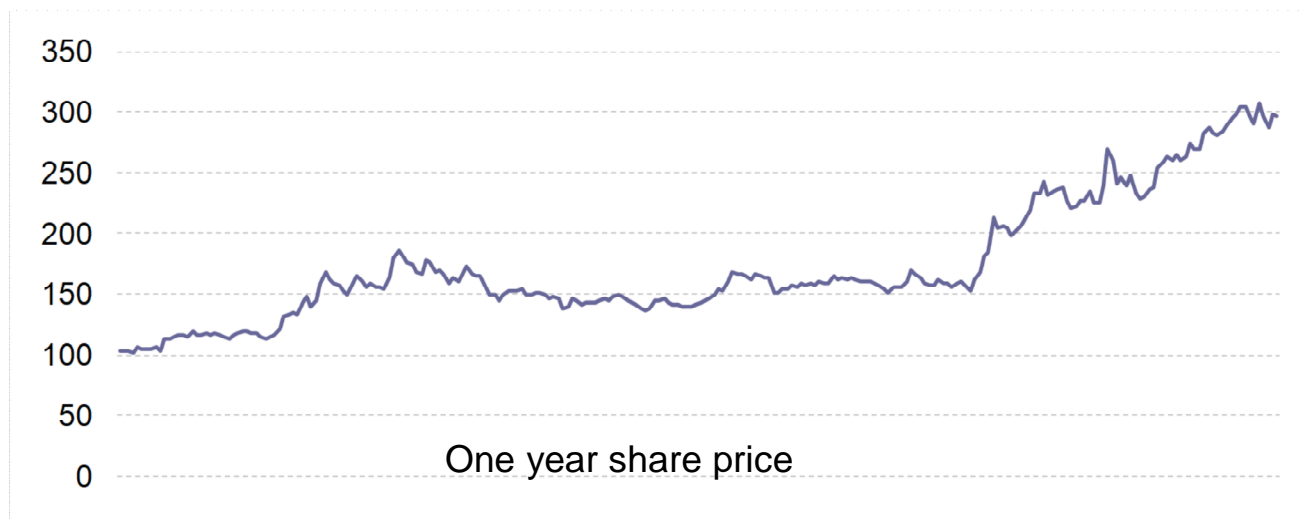
	03/'18	03/'19	03/'20	03/'21	03/'20*	03/'21*
Revenue	6061	6742	4685	5808	1292	1575
Other Income	24.09	54.30	95.45	32.67	14.18	5.71
Interest	-173.16	-229.33	-242.93	-187.71	-58.11	-48.09
Depreciation	-163.23	-171.46	-213.53	-211.95	-53.23	-51.71
Tax	-66.39	-36.32	-14.07	-181.88	-0.11	-63.21
Net Profit	164.10	73.47	89.18	406.44	22.50	115.80
Equity	88.20	88.20	89.28	102.68	89.28	102.68
EPS	18.60	8.01	9.83	39.20	2.53	10.25
CEPS	37.11	27.77	33.91	60.22	8.48	16.31
OPM%	9.35	7.57	11.95	17.01	10.37	17.70
NPM%	2.71	1.09	1.90	7.00	1.74	7.35
Dividend	60%	30%	30%	75%		

\* Three months, Rs in crores

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- Technical Ammonium Nitrate (TAN) 4,84,900 mtpa.
- ✓ CNB contributes about 41% to Revenues, Value added real estate less than 1% and rest by IC and TAN.
- ✓ The Company has state-of-the-art manufacturing facilities in Taloja – Maharashtra, Srikakulam – A.P., Panipat – Haryana and Dahej – Gujrat.
- ✓ IC product caters to sectors like - Pharmaceuticals, Steel, Paints/Coatings, Dyes, Inks, Explosives, Agrochemicals, Explosives, Cosmetics.
- ✓ CNB caters to Agriculture sector
- ✓ TAN caters to sectors like - Mining, Electronics, Explosives, Infrastructure
- ✓ From last couple of years the company focus is to create value by integrating backward into raw materials or integrating forward to bring sectoral depth to its strategies.
- ✓ In Technical Ammonium Nitrate (TAN), the company is moving from a domestic market leader to being a global player, while moving forward into Mining Services

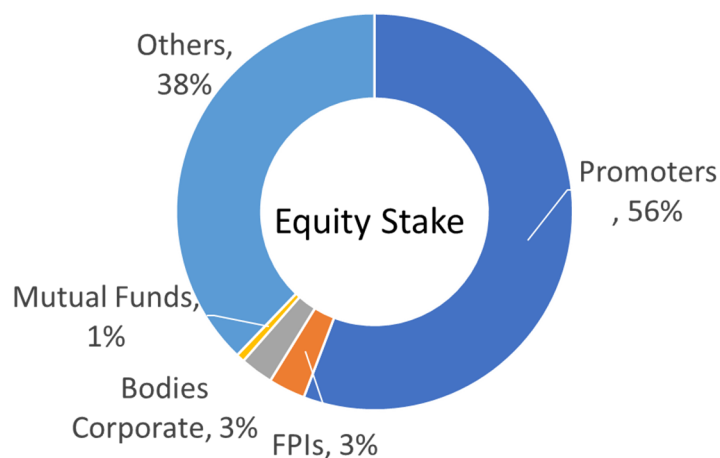
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### and Solutions

- ✓ In Agri-business, DFPCL is moving from bulk fertilisers to offering specialty farm inputs and developing customized products for specific crop and soil
- ✓ In Chemicals, the company is moving up the value chain from bulk chemical commodities to developing industry specific product grades
- ✓ It commands market share of TAN (Technical Ammonium Nitrate) - 42%, CNA (Concentrated Nitric Acid) - 71%, DNA (Diluted Nitric Acid) - 65% and CNB - 19% .
- ✓ It has built a Lifestyle Centre, Creaticity. This unique retail destination focuses on home and interior and also offers a unique F&B experience
- ✓ The company has delivered exceptionally good FY21 results. Topline grew by +24.0% at Rs. 5,800 crores; Net Profit at Rs 406 jumped by 357%; Chemical business contribution approx. 81% of segment profit and Cash Flows from Operations more than doubled to Rs 1,248 crores (FY20: Rs. 578 crores).
- ✓ Buoyed by the good financial performance the Board has recommended 70% dividend, the highest in its history.

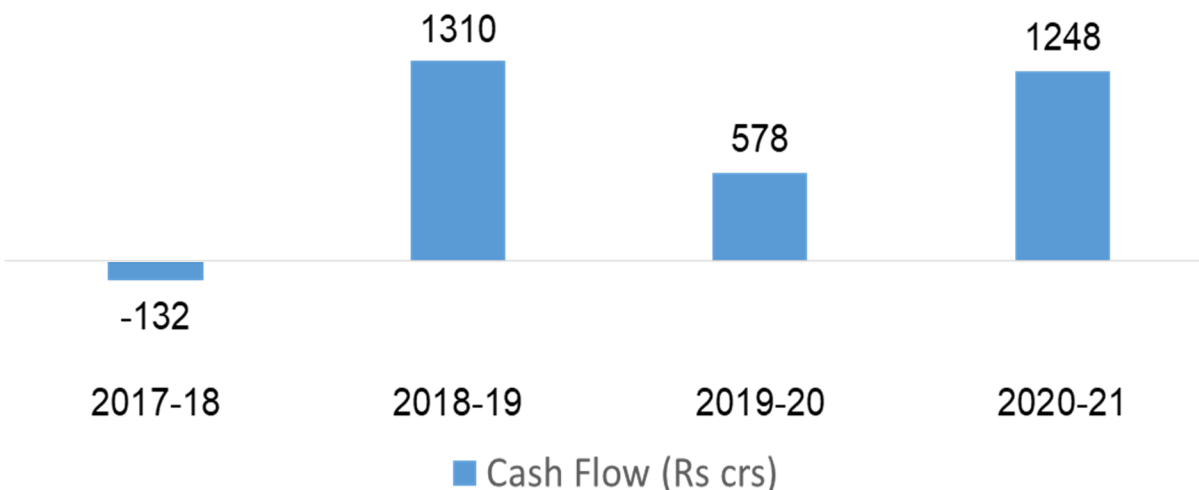
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- ✓ Net Debt to Equity ratio has declined to 0.65 as on 31 Mar 2021 from 1.2 a year ago.
- ✓ In the chemical segment the capacity utilisation for various products stood at - IPA (Iso Propyl Alcohol) 79%, Acids 74% and TAN (Technical Ammonium Nitrate) 74% respectively.
- ✓ In the fertiliser segment the capacity utilisation for various products stood at - NP / NPL 73%, and Bensulf 51% respectively.
- ✓ Thus in the foreseeable future the company has good scope to produce more without any capex.
- ✓ The company is expanding the capacity of Ammonia from 1,28,700 mtpa to 6,28,700 mtpa at Taloja, to be completed in Q4 FY23. The expansion is expected to cost about Rs 4300 crores. Till 31 Mar 2021, Rs 1572 crores incurred for this project. Projected IRR estimates are in high teens. Entire production will be for captive use. Ammonia is a key raw material for the company.
- ✓ Presently the company has TAN capacity of 4,84,900 mtpa. It is setting up a greenfield plant at Gopalpur Odisha with a capacity of 3,76,000 mtpa expected to be commissioned by Q4 FY24. Projected IRR estimates are in high teens.

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*“As evident, this has been a truly historic year for us in all aspects of our performance parameters. Our core strategy drivers beyond Operational efficiencies have been:*

- 1. Industrial Chemicals, Mining Chemicals and Fertilisers performance, each of whose growth strategy has now been validated by their seamless integration with the India Growth story.*
- 2. The key investments made over the last 4 years have started delivering.*

*Going Forward:*

- 1. The available head room in capacities provides for good growth upside potential in the years ahead.*
- 2. The Strategic Initiatives to transform our sectors from a Commodity to Speciality position, holds tremendous promise for the future, as we build further on the success of our transformational Business Models.*
- 3. The balance Capex plans, once implemented will hugely solidify the strong foundations of the Company and help sustain and enhance our sectoral leadership built over the past 40 years.”*

*- Mr. Sailesh C. Mehta, Chairman & Managing Director, 30 May 2021*

*(Continued from page 6)*

- ✓ The business outlook for both its segments look bright. Demand for Nitric acid is rising due to shift in global Specialty chemical intermediates value chains shifting from China to India this has led to increase in Nitric acid prices. Expected rise in demand for cement due to strong thrust provided by the Government in the budget for FY22 will give a push for its chemical segment.

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Normal monsoon forecast for the current year also bodes well for the company.

- ✓ During last one year the Promoter stake has increased from 52.2% to 55.8%. 15.3% of the Promoter holding is pledged.
- ✓ The company has sound fundamentals.
- ✓ It is a regular dividend paying company.
- ✓ The company has healthy reserves and a strong Book Value of Rs 195.
- ✓ Sales to Market cap is attractively placed at high of close to 2.
- ✓ Last year's consolidated and diluted EPS of Rs 39.2 is discounted by mere 7.65 times.
- ✓ Despite adequate scope for increasing the turnover from current levels on account of moderate capacity utilisation, major expansion plans undertaken and the present low valuations and low Debt/Equity ratio we are projecting a conservative sales growth of @12% per annum and EPS growth @15% per annum for the next 4 years. Applying a conservative PEG (PE to Growth ratio) of unity we are targeting a share price of Rs 1025 in four years.
- ✓ Despite small market capitalisation of Rs 3000 crores plus, the stock is regularly traded on BSE and NSE with aggregate volumes of about 5 lacs shares per day.\*

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**Q. *What is the Guarantee of success of the expected returns indicated in this report ?***

A. There is no Guarantee of meeting the expected returns, it is only a probability. Returns have been calculated based on our past experience and certain expectations from the company, industry and the economy.

**Q. *Can these stocks go down ?***

A. Recommendations are based on current valuations of these stocks with respect to the market. Any adverse news about the individual company or sharp correction in stock indices can drag the individual stock prices down.

**Q. *Will these stocks be reviewed in future ?***

A. All the stocks for Smart Multibagger subscribers shall be reviewed from time to time.

**Q. *What is the minimum amount, one should invest in these stocks?***

A. Limit your exposure as per the allocation (Weightage) assigned in the report.

**Q. *Stock advised by you is ruling up from your recommended price, can I still purchase this stock?***

A. One can buy the stock as long as it is within the 5% band of recommended price.

**Q. *If I have a query, how and whom should I contact ?***

A. All the related queries shall be addressed to [support@smartverc.com](mailto:support@smartverc.com). We shall revert back to you within 24 hours.

Note :

- Investors are advised not to borrow money even for the short term to invest in these stocks.

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**Disclosures** Recommendations given in this report have been researched and prepared by A K Asnani (SEBI Reg. - INH000000420). He has experience of 30 years into stock investments and author of book 'Way To Billionaire'. By qualification he is BE, MBA (Finance), ERA (ICFAI, Hyderabad) and pursuing PhD.

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